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ABSTRACT

Innovation programs in higher education are generally received with some skepticism and are often asked to justify their existence and the funding they are accorded. Since the programs are largely efforts to explore and demonstrate effective teaching and learning not present in traditional postsecondary education, the appropriateness of judging their financial right to life by traditional standards is questionable. This study was commissioned to determine the nature and extent of restraints imposed by state and federal funding formulas, guidelines and regulations on emerging, innovative, time- and place-free opportunities in postsecondary education. Administrators from several nontraditional colleges and programs were interviewed in person and 300 questionnaires were mailed to others, with 134 responding. The analysis of these questionnaires revealed much frustration with state and federal funding policies and specific funding and approval problems. It also produced a number of proposed solutions to these problems. Largely these centered on restructuring formulas and guidelines to take into account the special features and purposes of nontraditional education ranging from adding flat or percentages increments specifically for nontraditional program development to finding a more equitable unit of measure than the credit hour. (JMF)

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INTRODUCTION

The Institute for Educational Leadership's Post-secondary Education Convening Authority is pleased to make available this contribution to the Institute's new series of policy papers in education.

In January 1975, the Convening Authority, under a grant from the Fund for the Improvement of Post-secondary Education of the Department of Health, Education, and Welfare, commissioned L. Richard Meeth, associate professor of higher education at the State University of New York at Buffalo, to undertake a survey of administrators of nontraditional programs and institutions to assess how state and federal funding policies impact upon these new developments in postsecondary education. This paper reports the results of Dr. Meeth's survey.

This report emerges from one of several Convening Authority projects related to the issue of governmental funding policies in postsecondary education. A second project is a "state-of-the-practice" study of the use of incentive grants by states and multi-campus systems as a technique for public subsidy of postsecondary education. The Convening Authority, along with the Fund for the Improvement of Postsecondary Education and the Education Commission of the States, will sponsor an invitational conference in July 1975 on "State Funding for Postsecondary Education: Incentives for Improvement." Reports of these later activities should be available in September 1975.

Additional copies of the Meeth paper are available at the following rates:

Single copy	free
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A four-page summary is enclosed.

Kenneth C. Fischer
Director
Postsecondary Education
Convening Authority

May 1975

SUMMARY

THE IMPACT OF STATE AND FEDERAL FUNDING REGULATIONS ON NONTRADITIONAL POSTSECONDARY EDUCATION

by

L. Richard Meeth

The study summarized in this brief report was commissioned by the Institute for Educational Leadership of The George Washington University, under a grant from the Fund for the Improvement of Postsecondary Education of the Department of Health, Education, and Welfare. For the study, conducted by L. Richard Meeth, associate professor of higher education, State University of New York at Buffalo, administrators from several major nontraditional colleges or programs were interviewed in person. In addition, 300 questionnaires were mailed to nontraditional programs across the country, with 134 responding. From this investigation, it became clear that frustration with state and federal funding policies runs high in nontraditional education.

Presently, formulas and guidelines are used in about two-thirds of the states to control the allocation of funds for operating expenses of state-supported colleges and universities. While such measures were established to ensure a fair distribution of aid to institutions, they employ criteria more suited to evaluating funding requests from traditional programs than from those that are nontraditional.

Formula Problems

The most significant criterion used in funding formulas is the credit hour, a unit from which full-time-equivalent students and ultimately full-time-equivalent faculty are calculated. While the credit hour may afford a reasonably standard measure of educational effort among traditional programs, it is totally inappropriate for many nontraditional programs, a number of which do not even award credits. As a consequence, in states that use formulas, noncredit competency-based programs, individualized modules, learning-contract arrangements, and off-campus learning are often underfunded. They cannot compete with traditional programs for a fair share of funding because the very basis for determining budgets is not part of their design. Yet, for funding purposes, this is how they are judged. To reckon with this problem, nontraditional programs in some states that use credit-hour guidelines are forced to develop an extra bookkeeping system to translate learning outcomes into credit-hour equivalents.

The credit-hour requirement is only one of several that place nontraditional programs at a disadvantage compared to traditional educational efforts. Other restrictive measures--some affecting programs in just one state, some in several--include the following:

--Forbidding money allocated in one category to be used in another. Example: The experimental colleges of the State University of New York cannot pay undergraduates as peer teachers out of teaching funds because the undergraduates--even though they would reduce overall teaching costs, increase the student-faculty ratio, and produce a high level of learning in this situation--do not "qualify" as faculty.

--Basing funding on fall enrollments, typically the high point for enrollments in traditional programs but not so for some nontraditional programs.

--Basing funding for full-time-equivalent faculty on full-time-equivalent students, a practice that overlooks workload realities in some nontraditional programs. Example: In the external degree program at Empire State College in New York, which enrolls large numbers of part-time students, it has been found that almost as much faculty time and effort is needed per part-time student as per full-time student. Consequently, funding is not adequate to handle the real faculty workload.

--Making direct grants to private colleges on the basis of full-time, on-campus study. Such grants, administered by 12 states, provide little or no help for innovative programs aimed at large groups of part-time learners or those unable to study on campus. In three states, even public institutions are affected by this requirement.

--Basing funding on relatively high student-faculty ratios for the first two years of undergraduate study. While higher ratios are common in traditional programs during this period, the same is not true of some nontraditional programs.

--Denying aid to state residents to participate in regional or national programs that are not administratively based in the state. Example: Maryland residents cannot receive state tuition grants to attend the Antioch University Without Walls program in that state because the program is administered elsewhere.

--Basing funding levels on established educational charges regardless of cost efficiency or program effectiveness. This guideline discourages programs from keeping costs to students down. Example: At Berea College, needy Appalachian students are charged low room and board and permitted to work ten hours a week in lieu of paying tuition. Because state and federal aid is based on such charges, almost no assistance can be obtained.

Some Federal Funding Problems

Not all of the funding problems of nontraditional programs are the result of inequitable state guidelines. In some instances serious problems arise because of federal funding policies. One of these is the policy prohibiting veterans benefits for independent study

and other off-campus educational programs. While arising from individual abuses of the VA program, this policy nevertheless denies significant educational opportunities to veterans who might legitimately wish to pursue nontraditional education. It also eliminates a large pool of potential students for nontraditional programs.

A second federal policy found restrictive by administrators of nontraditional programs is that which requires work-study students to be full time. As already mentioned, many nontraditional programs, including those that incorporate work-study features, are specifically designed to serve the part-time learner.

Approval Problems

Funding formulas and policies are not the only restrictions nontraditional programs have felt. Problems of state approval have been even more devastating since licensing establishes funding eligibility and student enrollments. Here are some of the approval practices that have tended to curtail nontraditional programs in one or more states:

--The use of courses to define eligible programs.

--The requirement that students have 24 to 30 credits in residence.

--Reluctance to approve new subjects or those not characteristic of traditional programs.

--The requirement that programs be supported by "proper" libraries.

--The requirement that programs be affiliated with a public college.

--Reluctance to approve national or regional programs headquartered outside the state.

Proposed Solutions

The survey used to document the funding and approval problems of nontraditional programs also produced a number of suggestions for solutions. Largely these centered on restructuring formulas and guidelines to take into account the special features and purposes of nontraditional education. Suggestions ranged from adding flat or percentage increments specifically for nontraditional program development to finding a more equitable unit of measure than the credit hour. Possible alternatives to the credit-hour yardstick include student-faculty contact hours, value-added achievement rates (which measure the "amount" of learning), and "Professional Service Units" (which measure a faculty member's complete academic workload rather than work which is directly linked to student credit hours).

Other proposals were even more far reaching:

--Do away with formulas and guidelines completely and let every college and university program be judged on its own merits.

--Replace formulas and guidelines with a system of program budgeting that allows all programs to justify their existence and set their priorities by indicating the money necessary to carry out specific activities. (For the few states in which program budgeting is used, nontraditional programs have fared well.)

--Establish a council for innovation that can supersede any and all traditional guidelines. (Such a council already exists in Norway.)

--Develop special criteria, similar in concept but different in content from accreditation standards, for nontraditional programs barred from state and federal funding because they serve part-time or off-campus students.

These are just some of the possible solutions that might be considered if nontraditional programs are to be sustained and encouraged by the states and the federal government. Under present practices, many are actually discouraged and it is likely that potential programs are not even attempted.

The irony of budget formulas is that in many instances they work against the very purposes they were designed to serve, notably the improvement of educational services to society. Such improvement is not likely to occur without a continuous search for better ways to teach and learn. And that search is the distinctive mission of nontraditional education. Hopefully, educators, legislators, state budget officers, federal program officers, and others responsible for postsecondary education in America can work together to see that barriers to the search are eliminated.

THE IMPACT OF STATE AND FEDERAL FUNDING REGULATIONS ON NONTRADITIONAL POSTSECONDARY EDUCATION

By

L. Richard Meeth

Innovative programs in American postsecondary education are not always received with open arms by traditional faculty, administrators, state boards, or legislators. Sometimes these programs have been tolerated, sometimes encouraged, sometimes prematurely forced to justify their existence, and sometimes thrust onto reluctant institutions by state boards. Even though innovative programs are by definition nontraditional, they compete with traditional education for funding and are accorded or denied it by the same criteria. Since the programs are largely efforts to explore and demonstrate effective teaching and learning not present in traditional postsecondary education, the appropriateness of judging their financial right to life by traditional standards is questionable.

Responding to a growing concern among administrators of innovative programs, the Institute for Educational Leadership of The George Washington University, under a grant from the Fund for the Improvement of Postsecondary Education of the Department of Health, Education, and Welfare, commissioned a study to determine the nature and extent of restraints imposed by state and federal funding formulas, guidelines and regulations on emerging, innovative, time- and place-free opportunities in postsecondary education. This report is meant to open discussion, describe the range and scope of funding problems for nontraditional programs, and initiate a compendium of possible solutions that might be acted on by each state in the near future.

To gather information on the range of funding problems being experienced by nontraditional education in the United States, lengthy interviews were conducted with administrators of College IV of Grand Valley State in Michigan; the experimental colleges of the State University of New York at Buffalo; Empire State College, the external degree program in New York; the program of modularized general education at Bowling Green State University in Ohio; College III, the competency-based program of public and community service of the University of Massachusetts at Boston; and the external degree program of the Community College of Vermont.

In addition, a questionnaire was mailed to over 300 nontraditional programs identified as "new or unconventional forms of postsecondary education free of traditional time or place limitations."[1] One hundred thirty-four of these questionnaires were

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[1] K. Patricia Cross, John Valley and Associates, Planning Non-Traditional Programs: An Analysis of the Issues for Post-Secondary Education, San Francisco, Jossey-Bass, 1974, p. 380.

returned, 48 respondents indicating some serious problem with state or federal funding formulas and 86 institutions reporting no particular problems with funding. Even though few programs cited serious difficulty, many more have experienced the problems and compromised their integrity in order to exist. Others would have had the problems but felt the obstacles too great to even begin a program and, in fairness, others have had no problems because of very cooperative state boards and legislatures.

Of those reporting great difficulty with state or federal funding agencies 70 percent were public and 30 percent private--about the same as the public-private ratio in the total responses. Almost 85 percent of the programs with funding problems were parts of traditional institutions--again the same as the percentage of such programs in the total response. Thus, public college and university programs operating within larger traditional schools seem to have the greatest difficulty with funding guidelines.

In addition to being queried about guideline problems, directors of nontraditional programs were asked about other problems with state and federal agencies. In this connection, half the respondents reported problems related to program approval, program exclusion, and faculty work requirements.

The results of these 134 questionnaires were tabulated and, together with the interviews, comprise the data for this report. Before the funding problems of nontraditional programs are considered, it might be useful to review briefly the formulas from which many of the problems arise.

Funding Formulas

Formulas or guidelines are used in two-thirds of the states. In 1973, twenty-five states used formulas, eight had guidelines similar to the formulas but not as comprehensive, and three states used program budgeting.[2] Eight other states, which had previously used budget formulas for allocating funds to institutions of higher education, had abandoned the practice by 1973.

The language of these formulas is complex. As with every technical field, a highly specialized language has developed which is somewhat difficult for outsiders to understand. Three basic computational methods are employed:

1. The rate per base factor, which, in lay language, means that a university's operating costs of the preceding year, divided by such measures as credit hours, and square feet, are multiplied by a fixed rate of increase to determine the budget for the current

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[2] Francis McK. Gross. "A Comparative Analysis of the Existing Budget Formulas Used for Justifying Budget Requests or Allocating Funds for the Operating Expenses of State Supported Colleges and Universities." Unpublished dissertation, University of Tennessee, 1973, p. iv.

year. Thus, if instructional salaries were a million dollars the year before and the rate is 1.10, the salaries will go up one hundred thousand dollars.

2. The percentage of base factor, which is a straight percentage increase over the previous year's costs, again computed by unit measures such as full-time-equivalent students.

3. The base factor-position ratio, which is the preceding year's costs shaped by separately established student-faculty ratios and salary rates. This third computational method takes into account fluctuating enrollment. For example, if full-time students decrease, the state can maintain the ratio and cut faculty or change the ratio and maintain the faculty.[3]

No state uses all three methods, nor do all states use any one method. Computation by the percentage of base factor is most commonly used to estimate funds for organized activities related to instruction. This category, of great concern to nontraditional programs, covers departmental research, faculty and related staff salaries, and direct instructional expenses incurred by departments.

The difference between base-factor computations and zero-base-factor computations is another important concept in formula budgeting. Budgets are built either on the previous year's costs or the costs are recomputed annually without including any percentage or rate increase over the previous year. The first formula is the base-factor method and the second the zero-base-factor method.

The pros and cons of budget formulas have been argued strongly for a number of years and the debate continues, even though several states, deciding that the disadvantages outweighed the advantages, discontinued formulas. Those who support budget formulas believe that: 1) such formulas provide an objective measure of the funding requirements of college and university programs since they do not rely on the judgments of program officers and administrators; 2) budget formulas can reduce open competition among institutions for state funds and can assure each institution of an annual operating appropriation; 3) budget formulas provide state officials with a reasonably understandable basis for determining the financial needs of higher education; and 4) budget formulas provide a balance between state control over each item in a budget and total institutional autonomy in fiscal matters.

The disadvantages of these formulas for nontraditional programs are presented in the next section of this report. It should be noted, however, that many of the disadvantages for nontraditional programs are disadvantages for traditional institutions as well.

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[3]Ibid, p. v.

Ways Formulas and Guidelines Restrict

State and federal funding policies restrain nontraditional programs in a variety of ways, but most of the problems with funding formulas and guidelines grow out of the assumptions on which they are based. The majority are either based on or derived from the course credit hour or the student credit hour as the fundamental unit of fund determination. Nine to fifteen credit hours equals a full-time-equivalent student. A certain number of full-time-equivalent students or student credit hours determines the number of full-time-equivalent faculty who can be supported. Even though, in most instances, funding is based either on full-time-equivalent students or full-time-equivalent faculty, both of which utilize the credit hour as the basic unit of fund allocation.

Enough discussions of the strengths and weaknesses of the credit hour as an educational unit of measure have taken place in the past five years to warrant the conclusion that the student credit hour, while attempting to be standard currency, does not in fact mean the same thing from institution to institution, from state to state, or from undergraduate to graduate education. Even the amount of time spent by students to earn one unit of credit differs as much as nine clock hours among accredited universities. The credit hour is an uncommon denominator that has lost much of its meaning by the deviations that have taken place in its name. But in spite of the faults of the credit hour, those who try to base their funding requests on a unit more closely related to learning tend to lose their basis for entering the competition for state dollars.

The following examples of restrictive policies document some of the problems nontraditional programs face. Each of the restraints presented here was outlined by several institutions in different states across the nation.

1. Many nontraditional curricula, including competency-based designs, individualized modules, learning contracts, and external degree programs, do not use credit hours. Frequently, programs that include community service or work experiences also have no credit-hour equivalents. In half the states of the nation, these nontraditional programs are penalized because the very basis for determining budgets is not an integral part of their design. Even those individualized programs which do use credit hours often cannot generate enough student credit hours to get funding for enough of the faculty positions necessary to teach in the self-paced program. But no other unit of measure has been established in any state to replace the credit hour. As a consequence, in states with funding formulas or guidelines, programs that do not use the traditional measure of achievement adopted by the state funding agency often are underfunded and thus denied a chance to demonstrate their full effectiveness.

2. Some formulas and guidelines forbid money allocated in one

category to be used in another. This kind of inflexibility within funding guidelines can, in some instances, prevent administrators of nontraditional programs from using more efficient ways of educating. In New York, for example, paraprofessionals cannot be paid on a faculty salary line. Thus, the director of the experimental colleges at the State University of New York at Buffalo cannot pay undergraduates as peer teachers out of teaching funds because the undergraduates do not "qualify," yet peer teaching was a way to reduce costs, increase the student-faculty ratio, and produce as much learning.

3. Nontraditional programs are forced into an extra bookkeeping system by restrictive credit-hour guidelines. In addition to recording contact hours (or other faculty workload figures) and achievement units assessed from specified learning outcomes, they must devise a set of credits to report to the funding agency. This activity is not illegal, and may not be unethical in states where it is practiced, but it is confusing and wasteful to justify programs to the state on one set of criteria, to keep the administration and faculty informed on another set of criteria, and to prepare student transcripts on a third set.

4. Most funding formulas that use credit hours do so on partial enrollments. Because only fall term figures are used as the basis of support, traditional programs stand to benefit since they typically have more students in the first term. Not so for some nontraditional education. External degree programs especially have found that fall produces the smallest enrollment and thus reduces the money allocated through formulas and direct state aid.

5. Using full-time-equivalent students as a basis for determining full-time faculty does not take into account the special nature of some nontraditional programs. In the external degree program at Empire State College, which enrolls large numbers of part-time students, almost as much faculty time and effort are needed to facilitate learning for a part-time student as for a full-time student. Thus, when the part-time equivalents are added and used to determine funds for faculty, not enough dollars are generated to handle the real faculty workload.

6. In states with direct grants for private colleges (and 12 states now provide such aid for some or all undergraduate programs) almost all funds awarded are based on full-time study on campus. These restrictions eliminate external degree programs, independent study, television and correspondence programs, part-time students, and persons in prisons, retirement homes, nursing homes, and other situations that curtail travel to a campus. Because no state funds are available for part-time or off-campus study in private institutions, these schools are unable to mount many kinds of innovative programs. The tuition that would be needed to cover the cost would discourage enrollment. Thus, while direct state grants benefit full-time, on-campus nontraditional programs, they do little for less expensive, more accessible kinds of innovations and tend to

educationally disenfranchise large groups of home- or prison-bound learners.

Even in public colleges, some state formulas and guidelines require on-campus full-time study. Arkansas, California, and Illinois, for example, have this requirement, although it has been contested in Illinois in recent months. Such fiscal control inhibits learning flexibility and the development of less expensive programs which may very well produce equal learning without large capital.

7. Some state formulas and direct aid provisions differentiate among levels of study within colleges and universities. In 13 states, the first two years of undergraduate study are supported at a set rate based on large lectures and high student-faculty ratios; the rate is increased for the last two undergraduate years and further increased for work at the master's and doctor's level. Nontraditional general education programs or other non-degree programs do not always have a high student-faculty ratio in the first two years of study. Consequently, many nontraditional programs cannot possibly generate sufficient credit hours to support the faculty needed to teach the curriculum they offer.

Bowling Green State University in Ohio, for example, provides an exciting modular general education program that features individual attention by teachers and has a low student-faculty ratio. Although the same learning occurs in 10 weeks in the individualized program that takes 15 weeks in the traditional program (which means that the University could teach 1/3 more students at less cost), the modular program cannot, because of the state formula, get enough faculty funding from the student credit hours generated in 10 weeks--even though the program would be less expensive. Consequently, in Ohio and many other states, formulas which presume traditional methods of instruction may not be the most cost effective or educationally sound in the long run.

8. External degree programs operating regionally or nationally have great difficulty getting direct state aid or even state grants for students who are residents of those states in which the regional external degree center is located. Perhaps the best illustration of this problem is the Antioch University Without Walls, which operates many different programs internationally. Maryland residents who attend the Maryland Antioch center cannot receive state tuition grants because the program is administratively based outside the state or because they study part-time or off approved campuses. This same kind of problem prevails in other states and in other institutions. Thus, programs are penalized that cut across state boundaries to provide learning in specialized areas at reduced costs or no cost to those states.

9. By basing student aid or direct state aid on college charges, formulas often reduce the incentive to keep institutional costs down. Neither base-factor budgeting with an annual percentage increase nor zero-based budgeting have any cost effectiveness or efficiency criteria built into them in most states. The irony is

that colleges which try to hold costs down are discouraged from doing so by both state and federal formulas. Berea College in Kentucky, for example, traditionally has charged no tuition and a very low room and board fee for students of limited economic means from the Appalachian region. Each student works 10 hours a week in lieu of paying tuition at Berea College. But, since state and federal aid to students is based on tuition and room and board charges, those students at Berea who would qualify for full aid at another institution get almost no assistance and the college must continue to raise hundreds of thousands of dollars from private sources to maintain the low tuition and self help program. State and federal programs, designed to support such efforts, appear to be discouraging them in this case.

10. All of the problems with funding are not limited to state formulas and guidelines. At least three serious problems have surfaced as a result of restrictive policies related to federal funding. Currently, the most widely discussed restriction has to do with the policies put forth in the Federal Register late in 1974 and again in 1975 prohibiting veterans benefits for independent study and other off-campus external degree programs. Understandably, some recent unethical activity has embarrassed a number of institutions as well as the Veterans Administration, but to restrict veterans benefits for those who choose to participate in Empire State, Minnesota Metropolitan, Community College of Vermont, and other recognized external degree programs, or for veterans who choose independent study activities or individualized modular programs off-campus in more traditional institutions, is to throw out the baby with the bath water.

A number of institutions, including the University of Kentucky, also mentioned a problem with federal funding guidelines for work-study. These guidelines placed far too many restrictions on non-traditional learners. Work-study guidelines require students to be full time and many nontraditional programs are designed to accommodate the part-time learner who needs to work. Students who have to work and study at the same time could not easily earn enough money from work-study to remain in some nontraditional programs even if they were eligible for part-time study. Where the costs are passed on to the students in private colleges, part-time students cannot put together a large enough financial aid package to support themselves due to so many ineligibilities. Since some students cannot afford to go full time, they are eliminated from many good nontraditional learning opportunities. In a real sense, work-study disqualifies the poor older adult from many opportunities designed especially to facilitate his economic and educational development.

Finally, some institutions have had difficulty with the Department of Labor which has not clearly defined the minimum wage for persons who are both students and workers. Individuals who go to college part time and work part time at the college may not be eligible for the full minimum wage. Until this problem is clarified,

institutions will not know what to pay employees who also study or students who also work.

Before the proposed solutions to these problems are discussed, it is important to note briefly what states have been doing to encourage and support nontraditional programs. In some states, usually those without funding formulas or guidelines, the very impetus for developing nontraditional programs has been at the state level, either in the legislature or state education offices. Some state agencies have all but bribed colleges and universities to develop programs that offer alternative educational avenues to the residents of the state. Iowa and Vermont are two good examples and several others could be cited. Unfortunately, all states are not equally open to nontraditional education.

Possible Solutions

A number of partial or full remedies to these funding restraints on time- and place-free, innovative educational programs have been proposed by administrators who have experienced the problems as well as by interested external parties. Although the problems tend to be shared by many programs, no single solution is likely. Some of the solutions proposed by institutions fit particular situations and would not necessarily be useful in all states. Others have not been tried by any institution, and still others depend on cooperation from state officials or legislatures. The following list begins with partial, less appropriate solutions and concludes with recommendations for more far reaching and potentially effective measures.

1. Passing the costs on to the students is a course of action that a number of colleges--in New York and Michigan, for example--have been forced to choose. College IV of Grand Valley State College prepares and sells curriculum materials to students to help pay extra faculty and resource persons. This method of raising funds is possible because the students cannot function in College IV without curriculum materials sold to them by the institution.

Colleges without such entrepreneurial leadership simply raise their tuition for nontraditional programs. Charges as high as $60 per hour have been reported by some public institutions, which recognize that such fees virtually eliminate students from their programs and in effect dictate an early demise.

2. "Soft" money has paid start-up costs for a number of programs in recent years. Private foundations, corporations, and federal programs have awarded many grants to innovative, time- and space-free programs in the past five years. The Yellow Pages of Undergraduate Innovations documents the large number of programs, born through private philanthrophy or public grants. The presently depressed economy, however, has reduced corporate and foundation giving and brought about a significant increase in requests, according

to a number of foundation executives. This situation means that nontraditional programs must compete even more fiercely for their continuation. When existence depends on the largesse of the federal government or private philanthrophy, unproven programs are not likely to survive long without other forms of support.

3. More a strategy than a solution to the problems of restrictive funding formulas, several institutions indicated that they plan to institute a program of political pressure on state legislators and federal congressmen in order to bring about some change in state and federal funding bases. Political lobbying is a dangerous enterprise for tax-exempt educational institutions. Nevertheless, public and private colleges and their supporting councils do apply political pressure as a means of securing funding or changing budget procedures to make funding more favorable within a state.

4. Some have recommended that the most appropriate solution to state and federal funding restrictions is to do away with the formulas and guidelines entirely and let every college and university program be judged on its own merit. At least eight states that once had formulas have terminated them, although there is no evidence that dropping funding formulas was in any way based on a desire to improve allocations for nontraditional programs. Nevertheless, nontraditional programs may indeed benefit if they have strong advocates in the right courts. On the other hand, they may be eliminated altogether. In many states that never had funding guidelines, colleges and universities are single lines in an annual or biannual state budget, able to develop whatever innovative programs institutional forces will sanction and legislators will fund.

5. A large number of respondents to the survey indicated that good will has effectively substituted for technical solutions to problems presented by state funding formulas. Some program directors reported that both institutional and statewide administrative interpretation of otherwise inflexible guidelines was enough to overcome most problems that might be encountered. Sometimes, nontraditional programs that have experienced particular difficulty with state guidelines have not had strong support from the central administrations of their institutions. Some nontraditional programs, for example, have virtually no problem with funding formulas whereas others in the same state have tremendous difficulty.

A vivid illustration of the lack of administrative good will was provided by two responses to the questionnaire from a state university. By accident, one questionnaire was sent to the president's office and another to the program director of the university's experimental college. According to the program director, "if our nontraditional program were not included in the general fund other departments would be more successful because they would not have to compete with us." Such a situation, he said, "gives rise to intrainstitutional suspicion and the administration does not give us much support in these instances." That response turns

out to be an understatement since the special assistant to the president returned a blank questionnaire stating that the university offers no nontraditional programs. There is no substitute for trust and good will in the educational enterprise.

6. Arbitrarily assigning credit hours to everything done in time- and place-free programs is another solution. Such action is, of course, a conceptual contradiction and results in extra bookkeeping for the institution and occasionally for the students. In competency-based programs with credit hour systems, for example, students may be certified competent but still not qualify for graduation because they have not accumulated a sufficient number of credits--a predicament that is understandably confusing to the students and the institutions. Double bookkeeping has other artificial ramifications in that the registrar must keep two sets of records, reporting in credit hours to the state and in competencies or other learning outcome terms on a student's transcript. The arbitrary assignment of credit hours will not work in every situation; nor is it necessarily appropriate, though it has become the solution of least resistance in many instances.

7. Giving a lump sum of money based on full-time-equivalent students or faculty in a program is a way of increasing the flexibility in states like New York, where the guidelines currently prohibit spending in any category except the one for which the money was assigned. This partial solution, already available in some states, offers the chance to demonstrate cost effectiveness. In Ohio, for example, funds can be generated through student credit-hour production for faculty but used for paraprofessionals and other less well-credentialled individuals who provide certain learning opportunities as well as faculty but cost considerably less. States that now practice flexible funding should, by all means, continue the activity and other states should follow. Line budgets are much less appropriate for traditional and nontraditional programs. Again, a kind of double bookkeeping is necessary since funds are received on one basis and spent on another. This practice, as with arbitrarily assigned credit hours, leads to waste and confusion but offers flexibility and is potentially cost effective.

8. Developing baseline data particularly suited to nontraditional programs is a more hopeful and appropriate solution than most of those mentioned earlier. Since most states with formulas or guidelines use a zero-base or previous-year basis for determining traditional budgets, nontraditional programs need to develop the same kind of baseline information about their costs if they are to compete successfully for funds. Colleges and universities cannot rely on the good will of funding agencies or the assumed worth of their programs, expecting legislators and state administrators to believe that all nontraditional programs warrant support simply because they exist. If time- and place-free programs are to continue to be supported, they must develop within three years after initiation data to show that they either produce more learning for the same dollars spent for traditional programs, or the same level of learning

for fewer dollars.

Far too many nontraditional programs have complained about the lack of full support without making any effort to justify their existence. All programs are not effective, and some certainly do not deserve to continue. Although many analyses are underway, some supported by the Fund for the Improvement of Post Secondary Education, no sound basis for demonstrating cost effectiveness has been developed yet that could be presented to state funding agencies or boards of regents to justify the continued existence of nontraditional programs.

9. Developing a new formula based on a concept entirely different from credit hours constitutes a very hopeful alternative to traditional funding formulas or guidelines. Robert Toft of College IV, Grand Valley State, recommends developing a funding base determined by the amount of learning added to students by the program of instruction. Thus, value-added achievement rates could become the basis for determining how much money an institution receives for educational programs. Such a concept of accountability, based on a direct assessment of the amount of learning acquired rather than on a proxy measure such as the student credit hour, is a revolutionary concept. But the value-added approach is not likely to catch on quickly because of the tremendous threat it poses to those traditional programs that do not know how much they have added to the learning of their students nor how best to acquire the information if they wanted it.

Another possible basis for a formula for funding, developed by Harold Hodgkinson and me under a grant from the Fund for the Improvement of Postsecondary Education, is the Faculty Professional Task Inventory. This instrument lists all the professional behaviors in which faculty engage as part of their workload. Each task on the inventory is weighted and the number of times a faculty member performs the task is multiplied by the weight for that task to determine the total Professional Service Units for a faculty member for a term or for a year. A faculty member's load can be described more completely by Professional Service Units than by student credit hours since the units portray (separate from what students do) the total work of faculty. A teachers Professional Service Units can be divided into his or her salary and the cost of each task performed, or any task performed by all members of the faculty, can be calculated. This method could provide a new cost base for nontraditional programs.

10. Program budgeting, for the few states that engage in it, has not presented any major problems for nontraditional programs. While this method was not proposed as a solution by any of the institutions surveyed, program budgeting seems to be an appropriate way out of the formula dilemma. Program budgeting does not interfere with any particular kind of educational program but allows each to justify its existence and set its priorities through a budget that describes the money necessary to carry out each level of activities. Developing program budgeting for large state universities would be

extremely complicated and consequently will not easily catch on as a solution to the problems of nontraditional programs in such institutions. It could, of course, be combined with other systems of fund allocation or be used exclusively as a basis for justifying innovative programs.

11. Perhaps the most far reaching possibility for solving funding restrictions comes from Norway. That country has developed the equivalent of a council for innovation which can supercede any and all traditional funding guidelines for educational programs. Using its own criteria, specially developed for legislative purposes, the council establishes the merits of innovative programs that do not fit traditional ways of budgeting for education. This council, recently described by Norwegian educators visiting in the United States, seems to offer each state an ombudsmanlike potential for solving the funding problems of nontraditional programs.

12. Of all suggestions received from the institutions surveyed, the largest number centered on changing the formulas or guidelines themselves. Several different ideas were presented in response to the way certain states developed their formulas or guidelines. Some of the ideas may be broadly adopted while others apply to the specific situations out of which they arose.

One suggestion is to build an override into the formula system of every state. This finds support in Frank Gross's recent study of funding formulas in 25 states. Gross recommends that "provision be made in each state's formula for additional requests supported by objective and subjective data."[4] Such an override could be accommodated either by a weighted base formula for long term support, or a direct amount for a short term. Funds would be allocated for planning, program development, implementation, and the cost of determining the base line data.

Another possibility is to include a percentage for program development as a new category of funding formulas. This suggestion is similar to the override but specially designed for new program development. Similar results are also accomplished as in the override but on a sliding scale instead of through a flat amount. No public discussion of formulas has ever considered new programs as a legitimate formula category. Neither John Millet, Francis Gross nor any of the other writers who have concerned themselves with the problems of funding formulas and guidelines has mentioned the need for a category of innovative program development. Yet, considering the large number of innovative programs introduced annually in public and private education, the addition of a percentage of either the base factor or the flat amount to a funding formula for the development of nontraditional programs seems appropriate.

A third recommendation for changing formulas is to establish

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[4] Ibid, p. vi.

a full-time-equivalent student base factor, if not already established, and add a special rate for nontraditional programs. By such a device, if a base factor of $1,200 per student was allocated, depending upon the level of the program, an additional ten or twenty percent rate of that base would be added for start-up costs of innovative programs.

Likewise, the base factor per full-time-equivalent student could be changed by allocating an expanded flat amount per full-time student in a new formula category for nontraditional programs. The flat amount in traditional programs might be $1,200 for the first two years of undergraduate study and $1,500 in nontraditional programs. But this suggestion, by assuming that innovative programs are always more expensive than traditional ones, is poor justification for their continuation.

A fifth alternative would use a zero-base traditional cost standard and add an increment for nontraditional programs. In all states with formulas, either base factor, zero-base factor, or full-time-equivalent student flat allocation or percentage allocation is used to determine funding. Each could easily be combined with an increment for nontraditional programs.

Another approach is to use a student-faculty contact-hour ratio instead of a credit-hour ratio for determining instructional costs, and then add a percentage for planning, development, implementation, and departmental expenses in addition to faculty salaries. Many formulas incorporate some kind of student-faculty ratio in their design. As pointed out earlier, this ratio is ordinarily based on the student credit hour but could just as well be based on the contact hour which, in modular programs and other individualized activities, would be a more meaningful measure of faculty effort. Empire State College in New York, for example, uses contact hours and designates one contract month of study as equivalent to four credit hours in a traditional system.

Another formula modification suggested is to establish a different balance in the formula ratio for nontraditional programs. In New York, for example, the traditional ratio is one full-time-equivalent faculty for every 24 full-time-equivalent undergraduates. Empire State originally was placed on a one-to-thirty ratio, which actually reduced the amount of money available for developing programs. This recommendation moves in the opposite direction, urging a lower faculty-student ratio for nontraditional programs during start-up and until they can justify their existence in a cost-effective manner.

13. The solution to problems of aid restriction to colleges for part-time or off-campus students is to change the regulation. Since these restrictions were imposed by states and the Veterans Administration to overcome misuses of state and federal funds, any change in the regulations must continue safeguards against abuses. Requiring regional accreditation for part-time or off-campus programs would still penalize some students and programs but considerably

fewer than are now disenfranchised. Or, in lieu of accreditation innovative programs desiring state aid or VA benefit eligibility could be required to meet specially developed criteria similar in concept but not content to accreditation standards. The state or federal government could then validate and certify programs for eligibility. Such criteria could and should be developed to keep from stifling some of the most promising cost-effective ways of delivering postsecondary education.

While by far the largest number of respondents to the survey indicated that the best way to fund nontraditional programs is to change the formulas, guidelines, and regulations in the states, they also were quick to point out that change of that magnitude ordinarily occurs only when the budget structure becomes intolerable to administrators of traditional collegiate programs. Nontraditional programs usually have to derive their benefits indirectly from the actions of the traditional program officers. Respondents also noted that the frequently limited bureaucratic skills of persons who generate nontraditional programs place them at a political disadvantage within their institutions. They may be at the top of the pedagogical order but at the bottom of the pecking order. Although changing budget formulas seems to be a good solution, nontraditional program directors themselves are not likely to be in a position to effect that change. They must rely on institutional administrators, state budget officers, and state directors of higher education to comprehend the problems and seek the solutions.

Problems of Approval

Funding formulas are not the only state restrictions nontraditional programs have felt. Problems of approval have been much more widespread than funding problems and are considerably more devastating since licensing establishes funding eligibility and student enrollments. Faculty workload definitions and bureaucratic violations of state law compound the problem of getting recognition for innovative postsecondary education.[5]

In one form or another state program approval has curtailed more nontraditional education than any other single regulation. The problem manifests itself in a number of ways, none consciously or maliciously aimed at nontraditional education. Many state education departments define requirements for degrees granted within their state in courses or hours to be completed. Such a practice rules out time-shortened and time-free degree programs as well as competency-based programs in which students write their own curriculum or use prior learning without acquiring credit for it. In Illinois, for example, students in time-free programs

[5]The issue of approval is treated here only briefly. For a more complete assessment, see Richard Granat's study for the National Institute of Education on Legal Policy Constraints to the Development of External Degree Programs, January, 1975. ERIC report number HE006323.

sometimes complete a Masters degree before reaching 120 hours and teacher certification.

Using courses to define programs eliminates the use of competent professionals to help a student tailor a program to a chosen career or set competencies separate from required courses. Nontraditional engineering, secretarial, and accounting programs were cited by various institutions as being confined to one experience track.

Requiring students to have 24 to 30 credits in residence is a very confining state policy for external degree programs. In fact, nearly all full-time, on-campus requirements adversely affect nontraditional education.

In some states it is quite difficult to get a license to offer a less traditional subject like filmmaking, and in many states nontraditional subjects in secondary teacher education cannot get approved because they do not meet preset criteria. Even guidance and counseling has been rejected. In other states, even though all criteria are met, nontraditional programs seem to be denied approval because of the extreme conservativism of state nursing boards, public accounting boards, and education departments.

On the other hand, programs in some states have almost no trouble getting approval. Boards in these states are eager for innovative programs to develop and give very strong support and encouragement. That 17 state education departments have urged competency curricula for teacher education partially reflects this support, although nontraditional competency programs of teacher education cannot get approval in some states that have mandated it. Generally the supportive states have no funding guidelines for higher education programs and have to generate interest in expanding pedagogical horizons.

Some other approval rules interfere with external degree programs in states with very specific criteria. In a few states, for example, programs without "proper" libraries cannot be licensed. In others private colleges or extensions cannot get contracts to serve students in that state (and thus receive student or direct aid) unless they affiliate with a public institution. Although these restrictive technicalities are rare, bureaucratic jealousy and territorial protection are not. Responsible program officers have reported an alarming number of overt or covert violations of state laws by state administrators who, for personal or territorial reasons, wanted to keep new programs "out." Granat's study fully documents this problem.

State approval has not been the only other problem for nontraditional programs. Definition of faculty frequently has limited the personnel available to teach effectively in innovative programs. Some states, for example, have overload limits and minimum contact hours which sharply curtail distributions of faculty time in other kinds of teaching activity. In other situations state guidelines give no "credit" for certain faculty tasks. If the full-time

equivalence is based on teaching 12 hours, for example, and faculty in an external degree program teach six hours and help 50 students write learning contracts they are still counted only as half time. Such systems discourage hard work and the desire or ability to innovate.

In recent months labor unions representing faculty have also begun to impinge upon nontraditional programming. In states with faculty bargaining units, all faculty are represented and required to function within negotiated contracts. These agreements are based on "normal" behavior at traditional universities but tend to have an adverse effect on nontraditional faculty roles in much the same way that state approval policies have affected workload.

Perhaps the greatest evidence of state restrictions on nontraditional education is the total lack of programs in law, medicine, and certain other professional disciplines. Programs are not even attempted in these fields because neither the programs nor the students who participated would be licensed. Even if programs were approved, students could not transfer. Because such programs are never tried, state officials and educators have not been blamed for squelching them. Nevertheless, time- and place-free programs have developed in every field that has been open, and the void of programs in certain areas speaks for itself.

Those programs such as Antioch's University Without Walls and Nova University, which function in many states at the same time, have approval problems compounded. Fred Nelson, administrative vice president of Nova, a national external degree graduate university, said recently:

> The greatest single barrier to the development of any national educational program, whether graduate, professional or even undergraduate, is state-by-state differences of control and the political realities of state-by-state licensing requirements.

Some of these institutions have been forced to file suit or to modify their program radically in order to operate in certain states.

As with funding problems, the most difficult federal agency has been the Veterans Administration. Competency evaluations and written statements in lieu of grades have not been accepted by the VA, causing veterans to retreat to safer programs with traditional grades. Over 40 institutions mentioned difficulties of one kind or another with VA policies or interpretations of policies, all of which had the effect of eliminating veterans from the programs or forcing compromises in program design.

Thus, state and federal policies do affect the kind of programs

that can be developed, when and where they can function, who may attend, when and for how long. No one can say that restrictions should be eliminated altogether from higher education but neither should they be administered absolutely and arbitrarily alike for all programs without more serious consideration of the price of consistency. Flexible policies evenly administered could include most existing nontraditional programs, helping them become more effective alternatives to the traditional forms of postsecondary education.

Conclusions

Clearly state formulas and guidelines and some federal funding policies are too restrictive and inflexible to allow nontraditional programs to function effectively. The formulas or guidelines currently used by 33 states offer no incentive to be cost effective since the basis for budgeting is last year's or this year's actual costs. Some formulas, designed to improve accountability, to increase fairness in programming, and to provide resources for the most effective programs within a state, have become a mechanism for defeating those very aims. Thus, the irony of budget formulas is that they may work against the purposes they were designed to serve. This contradiction results when formulas fail to be flexible enough to take into account the developmental costs of nontraditional programs, when they fail to require that innovative as well as traditional programs be based on more cost-effective concepts than last year's expenditures, and when colleges that do not pass their costs along to students are financially penalized because support is based on those charges.

While innovative time- and place-free programs must be cost effective to compete in the marketplace of higher education, they must also be given sufficient funding to develop the skills, assessment instruments, teaching-learning techniques, and administrative strategies necessary to reduce costs or increase learning achievement. Start-up costs, operating parallel nontraditional and traditional programs, and research, much of which still must be trial and error on new ways of delivering education, are all expensive. If budgeting formulas and guidelines cannot provide for these initial costs by some legitimate means, then the possibility of developing meaningful alternatives to traditional educational structures are greatly diminished.

Those states that design budget formulas and guidelines are justifiably concerned about being accountable to their people, but by failing to build in provisions that allow developing programs the years and support they need in order to justify themselves on any cost effective basis, states hamper their own long-term educational efficiency and lock themselves into the continually inflating costs of traditional programs. By supporting the development of sound educational alternatives which someday, hopefully, will prove to be considerably less expensive and more effective,

governments can be more accountable to the people of this nation than they have in the past. Only by a concerted action of educators, administrators, state budget officers, legislative committees, federal program officers, and chief higher educational officers in every state can some satisfactory solutions to restrictive state and federal funding guidelines for nontraditional programs be established.